

Unit Link Products Monthly Report

2016-08

Category

- 1. Macro economy**
- 2. Stock market**
- 3. Fixed income market**
- 4. Mutual fund market**



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1. Macroeconomic

The US unemployment rate was still 4.9% in August, initial unemployment data and non-farm payrolls employment decreased. From the perspective of market sentiment, ISM PMIs worsened, consumer confidence index of University of Michigan also decreased last month. The CPI was 1.1% year to year, 2.3% month to month. In terms of Eurozone, the CPI was 0.2 % year to year, core CPI was 0.8% year to year, in line with expectations.

In terms of domestic, Economic supply and demand were strong, but downward pressure was not eliminated. In terms of production, industrial increased 6.3%, a new high since 5 months ago. In terms of demand, export decline narrowed for 3 months on end, and the recovery of infrastructure construction and real estate spurred investment to rebound from a low level. However, the growth rates of property sales have fallen back since the beginning of September, indicating that “golden September and silver October” is likely to face a severe challenge. Credit and social financing rebounded in August, but still dominated by residential mortgage loans. It indicates that the real economy financing needs is low and investment slowdown pressure. On the whole, due to the real estate market continues to run smoothly and will not be significantly worse in short term, coupled the early depreciation of the RMB, the demand would support industrial economy run smoothly .

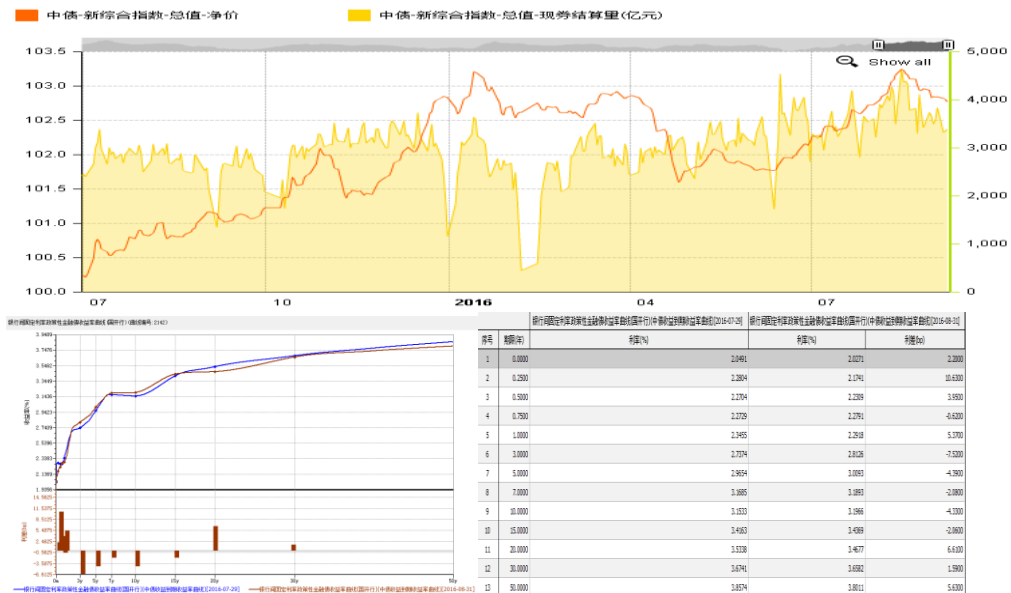
2. Stock Market

In August of 2016, SME and GEMs were rose modestly. By the end of the month, Shanghai Composite Index rise 3.56%. Shenzhen Composite rise 4.15% and Small stocks rise by 3.34%.

Index	Percentage [%]	Volume	Amount	Turnover[%]
		[million]	[million]	
SH stocks	3. 56	395621	44449908	16. 45
HS300	3. 87	237284	2766122	49. 31
SZ stocks	4. 15	440236	6678623	49. 31
Small stocks	3. 34	35892	648594	37. 39



3.Fixed-income market



Bond issuance increased YOY in Aug. 2016

In Aug., 1083 new bonds were issued, increasing by 47.69% YOY with a total amount of 2438.754bln. Among which the central clearing and settlement company issued 284 new bonds, with a total amount of 1631.570bln, accounting for 66.90% of the total; the ShangHai clearing and settlement company issued 491 new bonds, with a total amount of 540.180bln, accounting for 22.15% of the total; the Stock Exchange issued 308 new bonds this month, with a total amount of 267.004bln and accounting for 10.95% of the total.

Money market rate kept stable in Aug. 2016

Generally, money market rate kept stable in Aug. The 1D repo was closed at 2.08%, increased by 2BP compared with last month, daily volume was 1943.184bln, decreased 4.48% MOM; The 7D repo was closed at 2.51%, increased by 1BP compared with last month, daily volume was 195.455bln, increased 13.41% MOM.

Bond trading increased YOY in Aug. 2016

In Aug., the trading volume of the bond and repo in 23 trading days was 102.64 trillion, increased 75.84% YOY. The volume in the central clearing and settlement company was 61.48 trillion, increased 53.01% YOY, accounting for 59.90% of the total. The volume in Shanghai clearing and settlement company was 16.05 trillion, increased 118.72% YOY, accounting for 15.64% of the total; The volume in the Exchange was 25.10 trillion, increased 131.39% YOY, accounting for 24.46% of the total.

There were 237,652 trading (excluding counter) in Aug., increased 74.43% YOY. Average daily trading volume was 2673.239bln and increased 39.70% YOY. There were average 10659 trading in Aug. each day, increased by 57.47% YOY.



4. Mutual Fund Market

Close-ended funds:

In August, close-ended funds changed 4.34% on average. From the beginning of this year, close-ended funds changed -11.94% on average.

Open-ended funds:

In August, hybrid funds, equity funds, index funds changed by 1.45%、3.32%、3.55% respectively. From the beginning of 2016, hybrid funds, equity funds, index funds changed -3.63%、-8.23%、-9.32% ,respectively.

Bond funds:

In August, bond funds changed 0.68% on average. From the beginning of 2016, the figure is 1.67%.

Generali China - Unit Linked Growth



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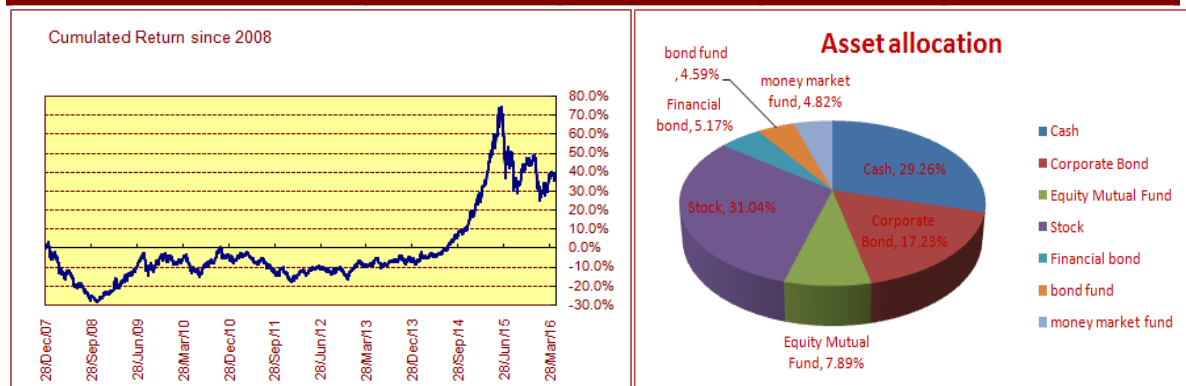
Fund Description

Fund Name	Growth	Investment Objective The objective is to maximize return in the medium-long run with a medium to high risk level.
Launch Date	2004.9.30	
Currency	RMB	
Management Fee	1.5% per year	Investment Scope This fund mainly invest in equities as open-end, close-end mutual fund, fixed income securities (government, financial and corporate bond and central bank notes, etc.) and other instruments approved by CIRC.
Latest Price (08/31/2016)		Target Clients This account is a medium aggressive account. This fund may be quite volatile and it is only suitable for long-term investors.
Price	2.9373	

Performance

	1 Month	3 Months	12 Months	YTD	Since Inception
Net Asset Value	-0.25%	2.78%	3.51%	-4.00%	193.72%
Shanghai T-bond Index	0.49%	1.30%	5.51%	3.03%	
Shanghai & Shenzhen 300 Index	3.87%	4.99%	-1.15%	-10.81%	

Performance Chart and Allocation



Market & Portfolio Comments

Portfolio review and outlook:

In August, the current policy is not clear, the liquidity is neutral, the government began to regulate real estate investment. Investor may enter the stock market. We will maintain a neutral position, focus on structural opportunities.

For fixed income, we maintained neutral position.

Generali China - Unit Linked Stable



Fund Description

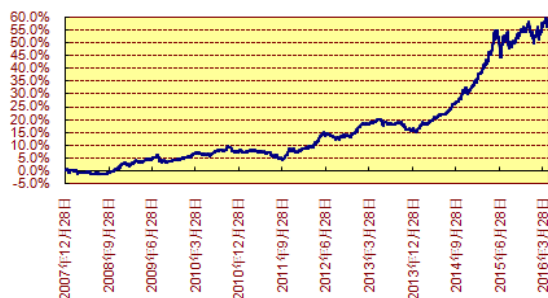
Fund Name	Stable	Investment Objective Achieving the best match of stable investment return and good assets liquidity with a low risk level in the medium-long run.
Launch Date	2004.9.30	
Currency	RMB	Investment Scope The investments focus on fixed income products and money market funds. A small percentage may be invested in equity exposed instruments as mutual funds. Other CIRC approved instruments investment is allowed.
Management Fee	1.25% per year	
Latest Price(08/31/2016)		Target Clients This is a conservative account, suitable for clients with a low risk bearing ability and stable investment return needs.
Price	2.1408	

Performance

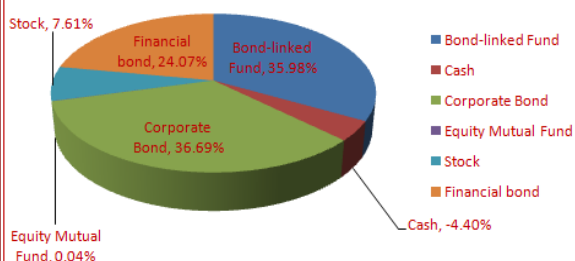
	1 Month	3 Months	12 Months	YTD	Since Inception
Net Asset Value	0.72%	4.10%	7.83%	2.59%	114.08%
Shanghai T-bond Index	0.49%	1.30%	5.51%	3.03%	
Shanghai & Shenzhen 300 Index	3.87%	4.99%	-1.15%	-10.81%	

Performance Chart and Allocation

Cumulated return since 2008



Asset allocation



Market & Portfolio Comments

Overview:

In August, along with supply-side reform pushed forward and marginally increasing prices on industrial products, the market expectation of economic recovery intensified. And due to the policy adjustment on the terms of liquidity supply, the bond yield was rebounded with the yield curve steepened. Also, there was a number of uncertainties existed in overseas market, in which euro-zone and Japan's economic fundamentals remained low, while Fed's possible interest rate hike was still in expectation within 2016. Therefore, we did not execute the potential strategy by participating in interest rate bond trading, but we did join in the credit bonds with industrial overcapacity features by increasing bond fund position.

Outlook:

By the end of 2016Q3, the marginal recovery of domestic economic fundamentals set to be clearer after manufacturing PMI in August performed well. And it is still expected that the economic growth may experience a marginal increase before the end of 2016Q3, which indicates a possibility that bond yield curve may continue to be upward moving, especially with long-term interest rate rising. Hence, we tend to hold our allocation or trading steps and wait for better chances.

Apr 2016